



3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000
4400 EAST BROADWAY BOULEVARD • SUITE 200 • TUCSON, AZ 85711-3554 • PHONE (520) 239-3100
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778

*Paul Matson
Director*

MINUTES OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM OPERATIONS, AUDIT & LEGISLATIVE COMMITTEE

**Wednesday, January 3, 2018
2:30 p.m., Arizona Time**

A quorum of the Operations, Audit & Legislative Committee (OALC) of the Arizona State Retirement System (ASRS) met in public session in the 14th Floor Conference Room of the ASRS Office, 3300 N. Central Avenue, Phoenix, Arizona 85012.

Mr. Jim Hillyard, Vice-chair, called the meeting to order at 2:32 p.m.

The meeting was teleconferenced to the ASRS office at 4400 E. Broadway, Tucson, Arizona 85711.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Clark Partridge, Chair (arrived via teleconference at 2:45 p.m.)
Mr. Jim Hillyard, Vice-chair
Mr. Rene Guillen

A quorum of the Committee was present for the purpose of conducting business.

2. Approval of the Minutes of the October 4, 2017 Public Meeting and Executive Session of the OALC

Motion: Mr. Rene Guillen moved to approve the Minutes of the October 4, 2017, Public Meeting and Executive Session of the OALC. Mr. Jim Hillyard seconded the motion.

By a vote of 2 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

3. Recently Conducted Employer Audits

Mr. Adel Korish, ASRS Audit Officer, and Mr. Harold Mackey, Internal Auditor, reviewed the following audits conducted by the Internal Audit Division (IAD).

- **City of Buckeye – Employer Audit**

The IAD had five findings from the City of Buckeye audit. The employer agreed with the findings and IAD's recommendations.

- **City of San Luis – Employer Audit**

The IAD had eight findings from the City of San Luis audit. The employer agreed with the findings and IAD recommendations.

- **Hayden-Winkelman Unified School District – Employer Audit**

The IAD had five findings in the Hayden-Winkelman Unified School District audit. The employer agreed with the findings and IAD recommendations.

- **Navajo County – Employer Audit**

The IAD had four findings from the Navajo County audit. The employer agreed with the findings and IAD recommendations.

- **ASRS Administrative Fees – Internal Processes**

The IAD had five findings from the ASRS Administrative Fees review of internal processes. It was noted that this was an audit of State Street's pension payroll services provided to the ASRS. Due to the agency discontinuing reliance on State Street in 2019 when disbursements are brought in-house, it is not prudent to revise current processes to address deficiencies noted in the audit because they will no longer be applicable.

- **Foreign Annuitants Audit Update**

An audit of Foreign Annuitants is conducted every three years to secure proof of life for members receiving benefits who live outside of the U.S. Mr. Mackey noted this is the first year the ASRS has suspended benefits for foreign annuitants. Mr. Mackey assured the Committee every effort was made to contact the remaining members prior to suspending benefits. The number of potential suspensions was reduced from 14 to three. Mr. Mackey added the audit uncovered some process gaps on the part of IAD which are currently being addressed.

Mr. Clark Partridge joined the meeting at 2:45 p.m.

4. Presentation, Discussion, and Appropriate Action Regarding the Internal Audit Quarterly Update

Mr. Harold Mackey, Internal Auditor, provided a summary of the IAD Quarterly Audit Report on behalf of Mr. Bernard Glick, Chief Internal Auditor, IAD, to the Committee. Mr. Mackey noted the Audit Follow-up is currently reflecting zero hours year-to-date. The reason for this is follow-up reviews begin in January; therefore, the Committee will not see any movement in this category until the next OALC. Additionally, Mr. Mackey shared with the Committee that there may be some adjustments to the audits planned for the year as Mr. Glick will be retiring soon and the IAD will have a vacant position.

5. Presentation, Discussion, and Appropriate Action Regarding the ASRS Security Program

Motion: Mr. Rene Guillen moved to go into Executive Session for the purpose of considering or discussing records exempt by law from public inspection. Mr. Jim Hillyard seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

The Committee convened to Executive Session at 2:58 p.m.

The Committee reconvened to Public Session at 3:54 p.m.

6. Request for Future Agenda Items

None were requested.

7. Call to the Public

There were no members of the public in Phoenix or Tucson requesting to speak.

8. The next regular public OALC meeting is scheduled for Wednesday, April 4, 2018, at 2:30 p.m., at 3300 N. Central Avenue, in the 14th Floor Conference room, Phoenix, Arizona.

9. Adjournment of the OALC

Motion: Mr. Rene Guillen moved to adjourn the meeting at 3:55 p.m. Mr. Clark Partridge seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

Respectfully Submitted,

Melanie A. Alexander
Committee Administrator
ARIZONA STATE RETIREMENT SYSTEM